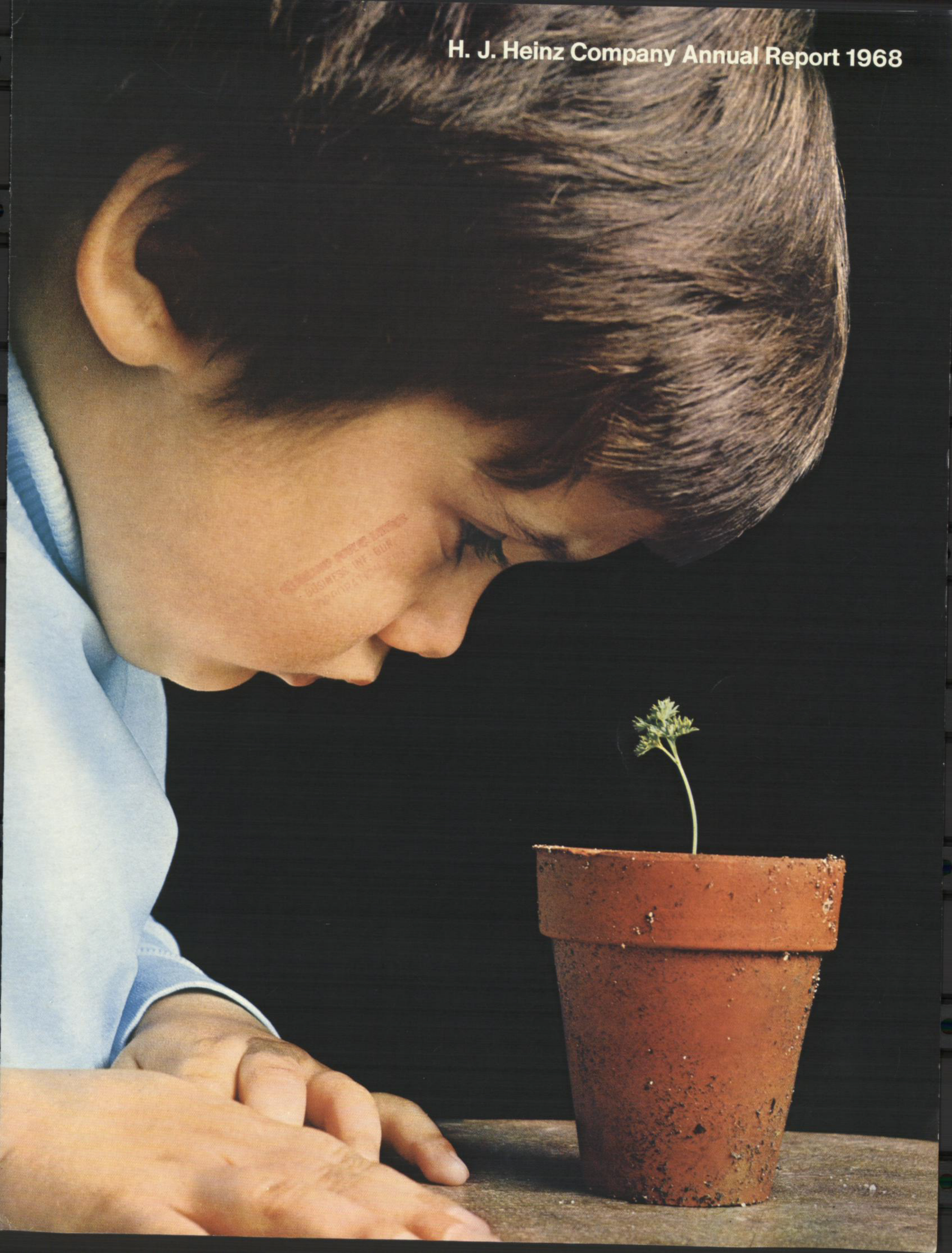
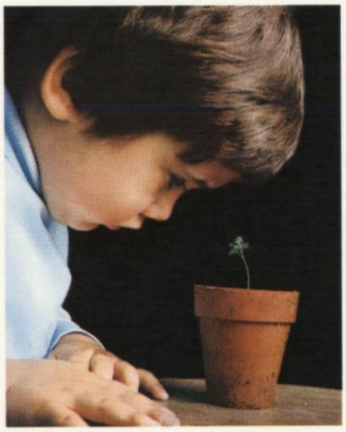
H. J. Heinz Company Annual Report 1968



the cover: Life and Growth



What is our business?

It has to do with life and growth.
The life and growth of a plant, carefully bred and nurtured to improve yield, quality and nutrition.

The life and growth of a child, made strong and healthy through better diet.

It was ninety-nine years ago that H. J. Heinz Company began the simple, serious and important work of bringing wholesome, delicious foods to the people of the world.

More than ever before, as we approach the beginning of our second century, we can say that our business is living and growing.

So is our Company.

H. J. Heinz Company Annual Report 1968

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Annual Meeting

The annual meeting of shareholders of the company will be held at 2 p.m. on Friday, September 13, 1968, at the executive offices in Pittsburgh. Formal notice of the meeting and proxy materials will be sent to shareholders about August 9.

H. J. Heinz Company

P. O. Box 57, Pittsburgh, Pa. 15230

Area Code 412—231-5700

Highlights of the Year

	1968	1967	% Change
Net Sales	$734,365,358	$690,863,071	+ 6.3
Income from Operations	25,273,854	21,530,281	+17.4
As a Percent of Net Sales	3.4%	3.1%	+ 9.7%
Extraordinary Loss (1)	1,910,050	—	—
Net Income (After Extraordinary Loss)	23,363,804	21,530,281	+ 8.5
Per Share Common Stock:			
Income from Operations	4.14	3.51	+17.9
Net Income (After Extraordinary Loss)	3.81	3.51	+ 8.5
Dividends	1.35	1.20	+12.5
Book Value (2)	37.06	34.54	+ 7.3
Capital Expenditures	28,883,616	31,887,096	− 9.4
Depreciation	14,817,055	13,645,525	+ 8.6
Net Plant and Equipment	205,676,943	198,157,237	+ 3.8
Working Capital	179,882,313	140,680,499	+27.9
Shareholders' Equity	255,392,183	240,548,835	+ 6.2
Number of Common Shareholders	9,813	10,767	

(1) Refer to Note 1 of Notes to Financial Statements, page 26.

(2) After deducting $100 a share for second cumulative preferred stock outstanding, representing the involuntary liquidation price.

Major Events

In fiscal 1968, H. J. Heinz Company

—Set new corporate records for sales and earnings.

—Scored sales gains in most of its major product lines around the world.

—Began construction of a new baby food factory in Italy, the largest in Europe, and announced plans to build a new tomato processing plant in Salem, New Jersey.

—Acquired Mississippi acreage as first step toward construction of a major tomato and cucumber processing plant.

—Announced two additional acquisitions in Great Britain.

—Introduced more than 125 new products world-wide.

—Restructured top management along geographic lines and staffed a corporate development group.

To Our Shareholders

The calendar tells us our company is marking its 99th anniversary in 1968.

The figures on the opposite page, however, reflect the vitality of an entirely new company, whose present character is less than a decade old.

It is a company that has modified many old patterns in a programmed turnabout. The success of this changing direction, charted by your company's management only a few years ago, is indicated by a number of different measures of corporate accomplishment.

Our Annual Report, by its very nature, can tell only part of this most encouraging story. Its primary purpose is to review the events of a single fiscal year—to record the achievements of a twelve-month period.

Even in that limited role, the company's 1968 Annual Report is a source of pride to all of us. As you will see in the following Executive Report, fiscal 1968 was a year of significant progress on almost every front. The year brought us new levels of performance in sales, earnings and dividends.

More important than the immediate statistics, however, is the perceptible trend in the company's fortunes since we instituted new strategic planning procedures to define our priorities more sharply, to market our products more aggressively, and to improve our efficiency in several major operating areas.

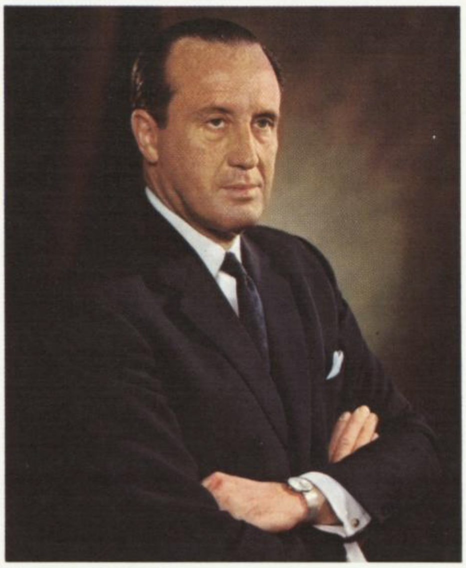
No one in business can predict with complete certainty the future course of a company's growth. It must be said, though, that Heinz performance in 1968—particularly in view of the improved performance of the recent past—gives us good reason to look for continued success in years ahead.

Henry J. Heinz II

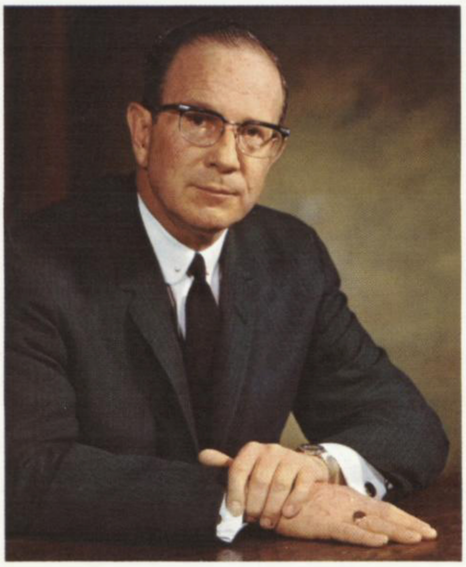
Chairman

R. Burt Gookin

President and Chief Executive Officer



Henry J. Heinz II



R. Burt Gookin

Executive Report

record year

H. J. Heinz Company's 99th year showed the best performance in the company's history.

The $3.7 million increase in consolidated income from operations over fiscal 1967 surpassed all past annual gains, and was the fifth successive yearly earnings advance for the company.

devaluation

This record was achieved despite economic developments that significantly affected the British company, a major source of Heinz consolidated net profits. Devaluation of the British pound, long a matter of conjecture, was suddenly announced on November 17, 1967. This step, coupled with a corporate tax increase in Great Britain, reduced Heinz earnings by 20 cents a share. In addition, the surtax on corporate earnings in the United States, retroactive to January 1, cut earnings five cents a share.

Despite economic reverses, the British subsidiary continued its long-standing sales and earnings growth. Because the greater number of pounds converted into fewer dollars, however (at a rate of $2.40 instead of $2.80), the British company's contribution to consolidated earnings declined 6.1 percent.

world gains

Counteracting the decline in dollars from Great Britain were the gains in earnings from other Heinz companies. Heinz—U.S.A. continued its upward trend, achieving advances in sales and earnings for the fourth consecutive year. Star-Kist and Ore-Ida earnings improved, as did our total earnings outside the United States.

Performance improved despite generally higher costs for labor, packaging materials, and many raw products. After settlement of a protracted wage dispute in the glass industry, prices for glass containers were raised substantially in the United States and Canada. Selective adjustments in the selling prices of Heinz products only partially offset increases in raw product costs.

Among the principal factors contributing to higher profits were higher sales in virtually all major product lines around the globe and better margins, stemming in part from improved productivity and increased selling prices.

corporate structure

Progress must be measured against long-range objectives as well as by current financial results. In this broader context, too, notable advances were made in fiscal 1968.

Management must provide the momentum for corporate growth. Consequently, we have given priority to the sharpening of managerial organization and capabilities.

In fiscal 1968 we restructured top management along geographic lines and established an executive compensation plan directly related to management performance.

John E. Crossen came to Heinz in April as senior vice president—Latin America and the Pacific. He is responsible for development of objectives and growth strategy, for implementation of growth programs, and for direction and coordination of the Heinz companies in Venezuela, Australia, Mexico and Japan. Before joining Heinz, Mr. Crossen was vice president—business development at General Foods Corporation and earlier vice president and assistant general manager of that company's International Division.

Junius F. Allen assumed responsibility for North America and Frederick G. Crabb continues as senior vice president—Europe (in addition to remaining vice chairman of the British company).

Market studies continued in Europe and South America, to determine where our expansion efforts can be directed most advantageously.

corporate development

Appointment of a director of management development in July, 1967, completed the staffing of our corporate development group, which was established in 1966. His principal assignment to date, under the direction of the president's office, has been the development of the new executive compensation program.

We are establishing achievement as the principal criterion for compensation. This new incentive plan requires each participating Heinz executive to set objectives—for the programs within his area of responsibility, for the managers who report to him, and for himself.

We believe that this discipline of meeting specific objectives encourages better performance and will contribute to solid corporate growth.

Because of the requirements of growth and reorganization in recent years, we have recruited additional top management talent from outside the company. Five members of the corporate development staff came to Heinz from other companies. Six of the seven top marketing executives in the U.S.A. company acquired their experience elsewhere.

In addition, major responsibilities have been given to competent young executives within the company. At Ore-Ida Foods, four young executives drawn from other Heinz operations are in top management posts. The oldest is 49, the youngest 32.

Another aim of our increased management development efforts is greater interchange of executives among Heinz companies, in order that our management will have experience in a variety of business environments. Our long-range objective is to provide leadership with broader international experience to direct our global operations.

corporate goals

Sales and earnings objectives have been established for each Heinz company and plans developed for reaching these targets by increasing sales of existing products, by development of new products, and by acquisition.

We are aiming for consolidated sales of one billion dollars by 1972 or 1973. This goal anticipates only a moderate contribution from acquisitions, but we are continuing an active search for attractive opportunities both within the United States and outside its borders.

We are aiming for improvements in profitability that will bring us into better alignment with other high-performance companies in the industry. We are not satisfied with our current ratio of net income to sales or to shareholders' equity. Neither are we satisfied with the value placed on Heinz shares in relation to earnings when weighed against the multiples typical in the food processing industry as a whole.

To attain our objectives, net profits in the years ahead are programmed to improve at a better rate than net sales. We met this challenge in fiscal 1968, and we believe we can continue in this direction.

corporate progress

Our profit-improvement programs are working well, and our capital investments are paying off in higher rates of return.

Our marketing programs in general reflect significantly greater aggressiveness. Advertising and promotional efforts have been increased substantially, and their effectiveness is evident in climbing sales and improved market shares.

We have used profits generated by new products to make sizable investments in the expansion of marketing those products. As they become firmly established in the market, we expect them to make a significant contribution to profit performance.

outlook

Our confidence in the continued prosperity of the company's most profitable component—our British subsidiary—remains unchecked. A 30 percent devaluation of the pound in 1949 did not halt our earnings growth in Great Britain. Neither, we believe, will last November's 14.3 percent devaluation. Devaluation does not diminish the operating capabilities of the British company or its considerable strengths:

—an entrenched consumer franchise (It commands 50 to 95 percent of the total market in seven major product categories);

—outstanding financial and operational management;

—imaginative new product development;

—sufficient capital to finance its own growth, both internally and through acquisitions. (It announced its third acquisition on June 24, 1968.)

We are optimistic also about our potential for growth in each of the other countries in which we have established manufacturing operations.

We fully expect to continue our upward trend in sales and earnings—at more than modest rates. We also expect to continue our policy of increasing dividends as circumstances allow. In fiscal 1968 we paid $1.35 a share, compared with $1.20 during fiscal 1967. Another dividend increase, effective with the July 10, 1968 payment, brings the annual rate to $1.50 a share.

retirements

Frank Armour, Jr., vice chairman and former president, retired on May 1, 1968, following 41 years of dedicated service to the company. Mr. Armour joined Heinz in 1927 as a plant visitor guide and rose to the presidency in 1959. In the period immediately preceding his retirement, he served as chairman and chief executive officer of Ore-Ida Foods, Inc., where he played a key role in the reorganization of management.

The British company lost the valued services of A. Gordon Esslemont, secretary and member of the British board, who retired on September 30, 1967, after 43 years of continuous service.

Financial Review

earnings outpace sales

Significant progress toward the company's long-term objectives is evident in the financial results for fiscal 1968.

In addition to posting the best dollar gain in annual earnings in its history while setting sales and profit records, the company measurably improved its rates of return. Income from operations advanced 17.4 percent, to $4.14 a common share after provision for preferred dividends, on a sales gain of 6.3 percent. This earnings increase followed gains of 6 percent in fiscal 1967 and 5.6 percent in fiscal 1966.

Income from operations in relation to shareholders' equity went up almost one percentage point, from 9.0 to 9.9 percent. The return on sales also improved, increasing from 3.1 to 3.4 percent.

Results for the final three months of the year topped any previous quarter in the company's history.

financial results by quarter

	Net Sales	Income from Operations	Per Common Share
First quarter	$164,576,406	$5,244,452	$ .85
Second quarter	205,193,907	7,109,650	1.18
Third quarter	159,993,937	3,971,405	.62
Fourth quarter	204,601,108	8,948,347	1.49

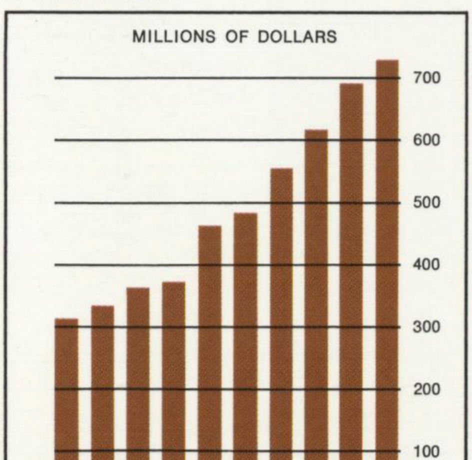
There was substantial improvement in the relationship of earnings from domestic operations to the consolidated total. In fiscal 1968 the domestic portion climbed to 43 percent, compared with 37 percent last year. Domestic operations accounted for 53 percent of consolidated net sales, as compared with 52 percent last year. Five years ago 17 percent of consolidated net profits and 49 percent of consolidated net sales derived from domestic operations.

Earnings in 1968 were reduced 12 cents by devaluation of the British pound and 8 cents by an increase in the British corporate income tax from 40 to 42½ percent. In addition, provision of five cents a share was made for the U.S. surtax on income retroactive to January 1, 1968.

The devaluation of the pound also necessitated a one-time write-down in the British company's assets amounting to 33 cents a share, which has been segregated from operating results and treated as an extraordinary loss.

Domestic income taxes were reduced by an investment tax credit of $1.0 million in fiscal 1968, compared with $.8 million in 1967. Total taxes on income, however, soared to $19 million from $14.5 million in 1967.

Growth of sales



Comparison of Foreign and Domestic Sales and Earnings (In Thousands of Dollars)

	1968	1967	1966	1965	1964
Net Sales	$734,365	$690,863	$620,263	$556,267	$488,211
Foreign	345,781	333,440	305,073	275,996	250,684
% of Total	47.1	48.3	49.2	49.6	51.3
Domestic	388,584	357,423	315,190	280,271	237,527
% of Total	52.9	51.7	50.8	50.4	48.7
Net Income	25,274(1)	21,530	20,304	19,219	14,549
Foreign(2)	14,468	13,545	13,105	12,936	12,155
% of Total	57.2	62.9	64.5	67.3	83.5
Domestic(2)	10,806	7,985	7,199	6,283	2,394
% of Total	42.8	37.1	35.5	32.7	16.5

(1) Before extraordinary loss of $1,910,050—revaluation of assets of British subsidiaries due to devaluation of British currency.

(2) Fiscal year 1967 and prior years have been restated to reflect the application of foreign dividend withholding taxes to foreign operations.

Despite generally higher costs for labor, packaging materials, and many raw products, the company's continuing advances in operating efficiency and selected increases in the prices of the company's products partially mitigated these expenses.

Selling, general and administrative expenses rose primarily because of substantial planned increased advertising and promotional budgets.

In December, 1967, the company entered into a $40 million, 6⅝ percent, 25-year note purchase agreement to help finance expansion and modernization. The notes were purchased privately by a group of institutions.

Working capital increased $39.2 million to $179.9 million. Long-term debt moved upward from $65.6 million to $99.2 million. The ratio of current assets to current liabilities stood at 2.4 at the year-end, compared with 1.9 at the end of fiscal 1967.

Capital expenditures world-wide totaled $28.9 million in fiscal 1968, compared with $31.9 million in 1967.

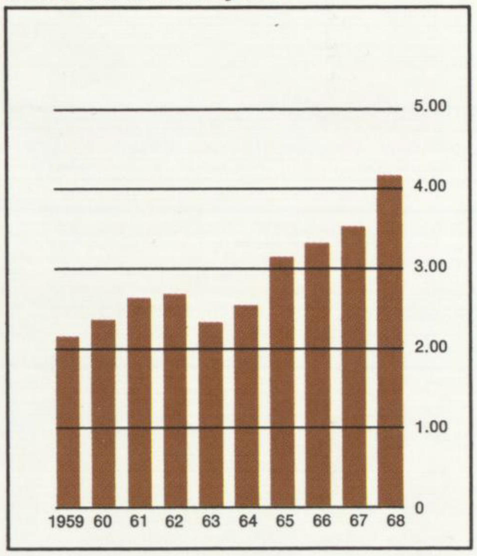
Planned fiscal 1969 capital expenditures outside the United States are not expected to be adversely affected by restrictions imposed by the balance of payments program. A combination of local borrowings and retained earnings of these companies is deemed adequate to finance expansion projects.

Total assets increased to $532.2 million from $501.3 million. Total shareholders' equity amounted to $255.4 million, up 6.2 percent from $240.5 million in fiscal 1967. Companies in the United States and its possessions accounted for $115 million of the $255.4 million in consolidated net assets.

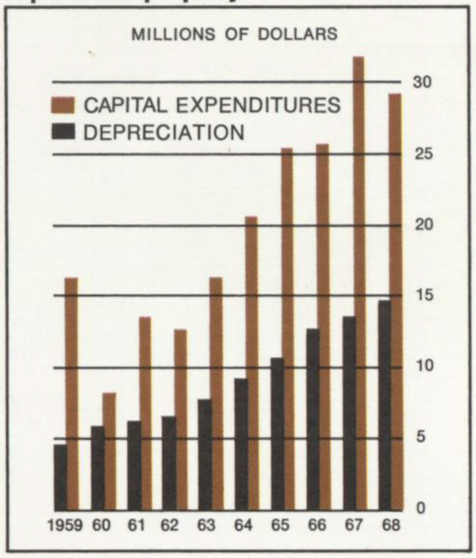
There were two 2½-cent increases in the quarterly dividend on common stock during the year, continuing the company's stated policy of raising dividends as circumstances permit. In addition, another 2½-cent increase was announced after the close of the fiscal year. The current annual dividend rate on common stock, $1.50, compares with payouts of $1.35 in 1968 and $1.20 in 1967.

On May 1 there were 5,743,546 common shares outstanding, compared with 5,701,219 at the end of fiscal 1967.

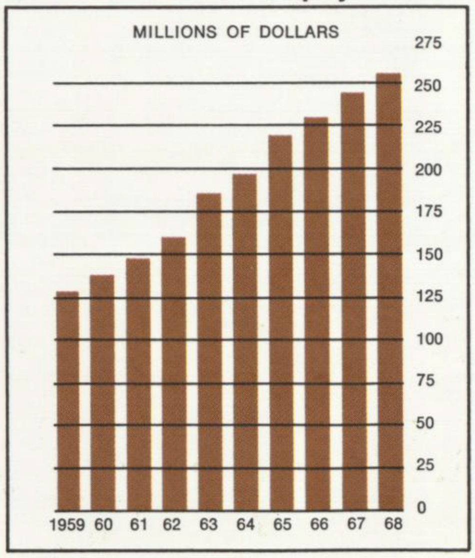
Earnings per common share before extraordinary loss



Capital investment in plant and property



Growth of shareholders' equity




FROM 41 COUNTRIES
COME OVER 120 EXOTIC
SPICES...USED IN THE
PROCESSING OF THE


Great American Soups


HEINZ
BARBECUE
SAUCE
WITH ONIONS
HEINZ
HOT
BARBECUE
SAUCE
WITH ONIONS

Domestic Operations

Marketing

sales up with new products, heavy promotion

The covers of *Business Week* generally feature prominent persons in business and government. Last November, the magazine's editors chose a new "leader" for their cover—the familiar Heinz ketchup bottle. It was a logical choice. "Big Red" is a conspicuous leader—in the growing $160-million U.S. ketchup market.

The Heinz share of the market reached another historic high during the fiscal year, with sales up 80 percent in the last three years. Two combination flavors—ketchup with pickle relish and ketchup with onions—are currently undergoing market tests.

Baby food also scored gains, even though the birth rate dropped beneath Depression lows and total births continued to decline. Heavier advertising and competitive price adjustments have spurred a significant sales gain in two years and have improved our market share.

Soup volume climbed as distribution of the Great American line broadened and sales of condensed soups for private labeling again increased. In fiscal 1969 the 14 ready-to-serve Great American varieties, supported by substantial advertising outlays, will become available throughout the country. Three varieties were added to the line during the year. In addition, a new version of pork and beans appeared under the Great American label in test markets.

The company's significant participation in the nation's $250-million market for pickles, relishes and vinegars led to greater sales in those varieties.

Barbecue sauce, in its inaugural year, successfully positioned Heinz in a market with an annual sales volume of $15 million. Two new flavors made their debut in March, expanding the line to four varieties.

The company's institutional food service product mix widened with the introduction of 17 restaurant-pack entrees. Most are also available in individual portion containers for vending machine use. IFS sales now account for a substantial portion of total Heinz—U.S.A. volume. More than 20 percent of total U.S. volume derives from product innovations developed during the past five years.

Higher unit sales of Star-Kist tuna confirmed earlier indications that liberalized Roman Catholic fasting practices have not reduced consumer demand.

Cat food now accounts for a significant share of Star-Kist sales volume. The "9-Lives" line, expanded from eight to ten varieties during the year, holds the top position among specialty products in a $219-million market.

Ore-Ida's increased emphasis on marketing proved effective. It absorbed the brokerage staff that had previously been responsible for the company's sales and marketing programs and established new departments to carry on these functions. It also launched its first full-scale advertising campaign, developed by Doyle Dane Bernbach, which also handles Heinz ketchup and soup advertising.

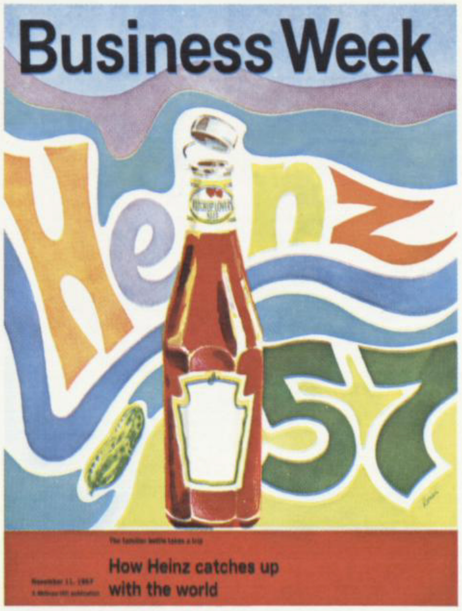
Facilities

expansion west and east

As production began last summer at the company's new $5.4-million plant in Stockton, California, plans were announced for construction of a $5.3-million replacement factory in Salem, New Jersey, on a 14-acre site adjacent to the present Heinz facility. Operations, primarily ketchup production, are scheduled to start in late 1969.

Nearly $4 million was spent to expand production capacity by some 25 percent in Pittsburgh and Muscatine, Iowa.

New warehouse facilities were opened in Arlington, Texas (midway between Dallas and Ft. Worth) and



A familiar bottle crowded business and government leaders off the cover of *Business Week*. The Heinz share of the ketchup market reached another historic high. Heinz, says the magazine, "is at last beginning to be tuned in, and the wavelength is growth and profits—through diversification, acquisition, new talent, and a lean, efficient marketing organization."

Marketing takes many forms. In advertising, we used a dozen colorfully costumed characters to dramatize the international origins of the recipes that go into the "melting pot" to make our Great American Soups. We continued the tours of our Pittsburgh headquarters factory that have exposed Heinz products to millions of consumers since 1895. Handsome bottles with distinctive labels helped to launch our barbecue sauces firmly in a $15 million market.

Harrison, New Jersey (near New York City). The Texas distribution center replaces warehouses in Dallas, San Antonio and Oklahoma City. The New Jersey center consolidates operations formerly located at two metropolitan New York sites. The aim of these moves and other regional distribution centers in the planning stage is faster, more efficient delivery to customers under a service-oriented distribution system.

Star-Kist enlarged production capacity at its plants in Puerto Rico and Samoa. The subsidiary also completed negotiations for acquisition of facilities to begin can-making operations in Puerto Rico.

Ore-Ida instituted additional automation techniques on its processing and packaging lines.

Agriculture

a tomato venture in cotton country

With the purchase of a 184-acre tract at Cleveland, Mississippi, Heinz-U.S.A. took the first step toward construction of a tomato and cucumber processing factory in the Mississippi Delta. Intensive agricultural experimentation, to be carried out at the site, will help establish a timetable for plant construction. The initial stage will see construction of cucumber receiving facilities, scale houses, and hydro-cooling facilities, all to be operational before the 1969 growing season.

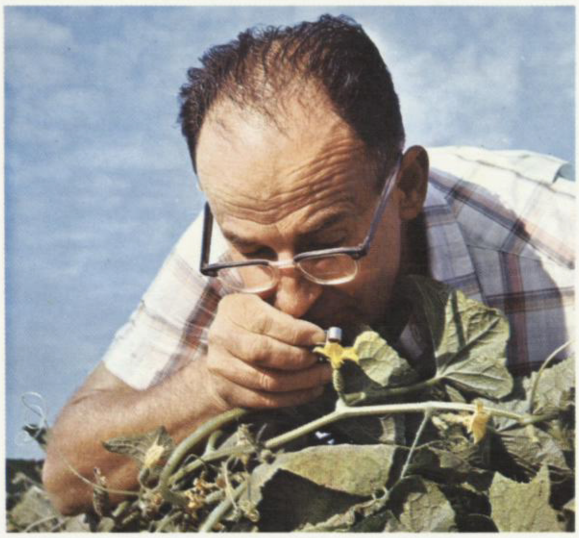
Heinz agricultural research, conducted over a long period, confirmed the suitability of the Mississippi Delta for commercial tomato growing. Cooperating with local growers, Heinz proved that the area has a potential that is equivalent to the yield per acre in California, the country's largest tomato producer.

Earlier in the year Heinz-U.S.A. acquired an 880-acre tract near Richton, Mississippi, for cultivation of tomato plants to supply our growers. Richton Plant Farms will be devoted also to engineering and field testing of mechanical agricultural equipment. Seeding operations at the site will be carried out annually from February 1 through April 15. Plants will then be pulled, packed in specially designed boxes, and shipped in refrigerated trucks to Heinz contract growers in the United States and Canada.

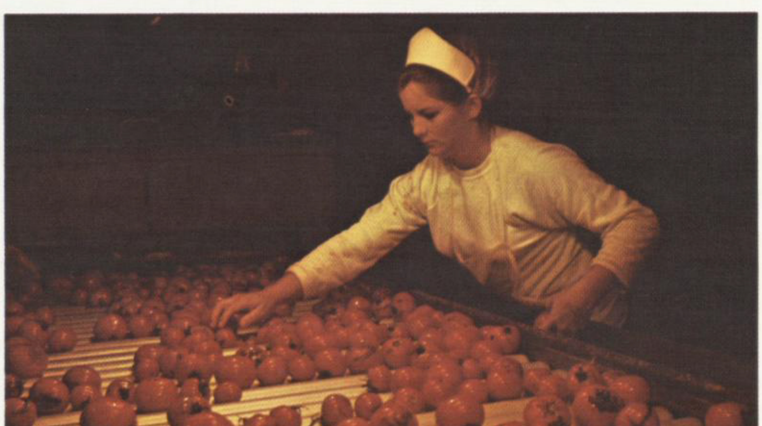
Ore-Ida, too, pioneered in the development of new supply sources. Skyline Farms produced more than a quarter billion pounds of potatoes in its first year of operation. The 9,500-acre tract, representing an investment of $4.5 million, remains the scene of imaginative innovation in large-scale farming. Scientific agricultural experimentation there is expected to contribute to improved growing methods among all potato farmers.

Innovation is evident also in tomato and cucumber country. The company has inaugurated a program that will eliminate the use of individual containers in the handling of tomatoes, cucumbers and other crops within five years. Nearly one-third of the 1968 harvest in Ohio will be delivered on trucks that permit bulk dumping rather

In spite of a declining birth rate, Heinz baby food sales continued to advance significantly. Promotion designed to encourage the dispensing of ketchup portions contributed to our volume in the institutional food service field, where we widened our product mix. Star-Kist tuna registered higher unit sales, dispelling fears about the effect of new fasting practices.



Our new $5.4-million plant in Stockton, California, began ketchup production, geared to receive mechanically harvested tomatoes fresh from the field and convey them immediately by means of flumes into the processing area. Boasting the most modern equipment and facilities in the industry, the experimental farms at Bowling Green, Ohio, remain the center for Heinz world-wide agricultural research. Heinz scientists, seeking to improve breeds, make constant individual inspections of plants for growing and harvesting qualities. The result: only choice raw ingredients arrive at Heinz factories.



than basket-by-basket unloading. The system has required the installation of new receiving equipment at factory sites.

The company bought 23 new machines for mechanical harvesting of cucumbers. Mechanization will expand into six of the nine cucumber-producing states and encompass more than one-third of all acreage in 1968.

Research teams in California and Ohio are continuing corollary efforts to develop new tomato and cucumber strains that will meet the requirements of machine harvesting.

Labor Relations

a peaceful settlement

Agreement was reached in March on a new labor contract governing some 2,200 Heinz-U.S.A. employees. In addition to granting wage increases, the three-year pact measurably broadens fringe benefits. The company, departing from the former contributory plan, has assumed all pension costs. New long-term labor agreements were also reached at Ore-Ida during the year.

Human Relations

aid programs expand

In every one of the communities in which Heinz is located, the company tries to be a responsible citizen. Our traditional involvement in community activities grows each year.

Heinz joined 31 other companies headquartered in Pittsburgh to establish the Allegheny Housing Rehabilitation Corporation. The organization will raise funds through sale of stock and debentures to help rehabilitate Pittsburgh's estimated 40,000 substandard housing units.

The company also worked with anti-poverty agencies in Pittsburgh to distribute food donations to needy families and to the Pittsburgh Education Project for school lunches.

To assist the hard-core unemployed, Heinz is currently sponsoring a weekly television program in Pittsburgh, "Job Call," which describes local job opportunities and offers counsel and assistance to job applicants. Along with other Pittsburgh industry, the company is devoting special attention to this group in its employment program.

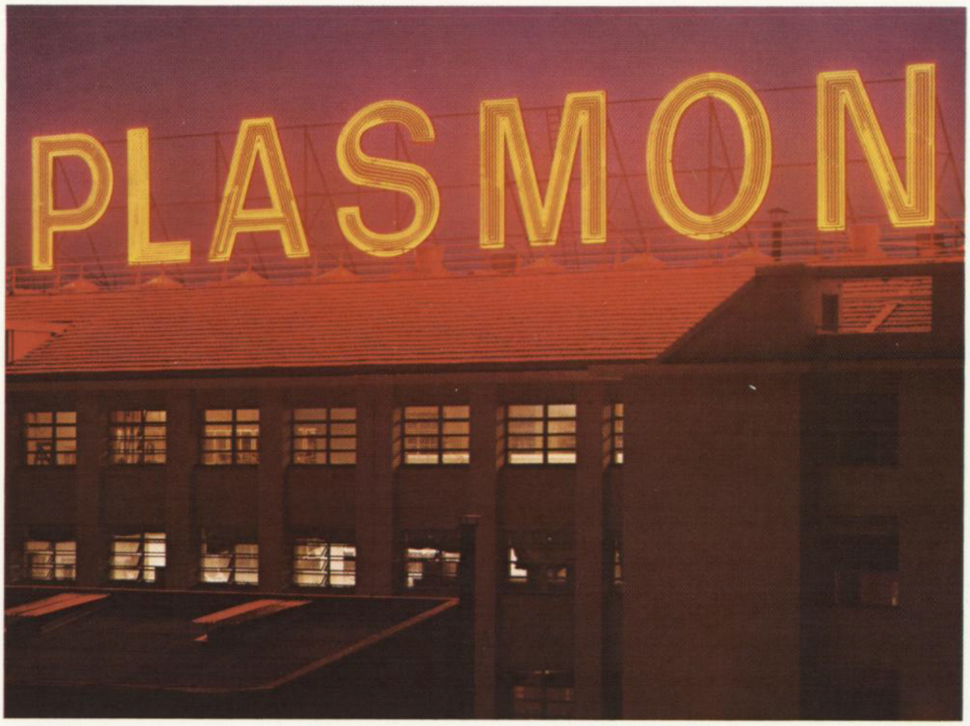
The list of Heinz scholarships and grants lengthened. The company is underwriting eight new annual scholarships for foodservice industry education. In cooperation with the National Restaurant Association, we have awarded more than 60 such scholarships since 1955.

In the international area, fifteen professional public health officers from underdeveloped countries have received Heinz Fellowships at Columbia University's Institute of Nutritional Sciences. Heinz Fellows are trained to apply technical and administrative knowledge gained in their studies to food and nutritional conditions as they exist in their respective countries.

Examples of other company citizenship activities across the world are legion, ranging from nursing fellowships in Australia to purchase of acreage along England's coastline for public dedication.

All such activities point up the continuing recognition by the company of its responsibility to contribute to the betterment of the world society in which it functions.

Ore-Ida's Skyline Farms made further progress in transforming 9,500 acres of Oregon desert into one of the most productive potato-growing areas in the world. Among the many imaginative techniques employed there is a highly sophisticated irrigation system with giant, mechanically-powered wheels moving across the fields.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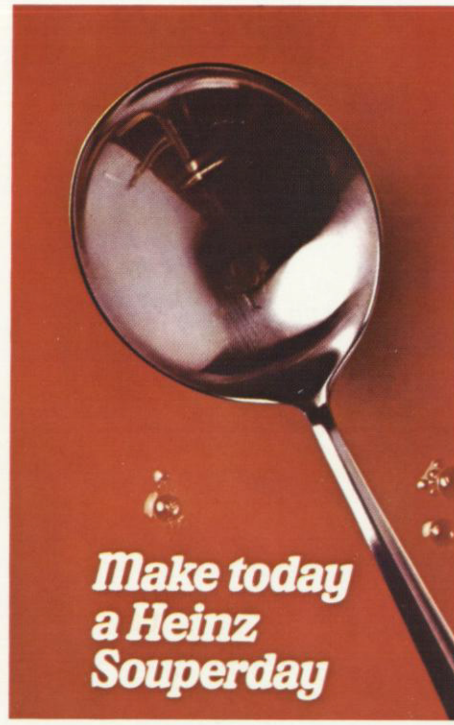
Make today
a Heinz
Souperday


Happy-ade


HEINZ
SANDWICH
SPREAD
Großes Wettschätzen
1001 Ide
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BEDIENEN
SIE SICH
HEINZ


Vous m'aimez, donc achetez-moi
HEINZ
TOMATO
KETCHUP
KETCHUP AUX
TOMATES
57 VARIETIES
KETCHUP LOVERS
SIZE
en grande. (Nouvelle bouteille de 25 on.)


TEA 2
57

International Operations

Marketing

more variety than ever

Britons love beans. They eat some 11.5 pounds per capita annually, compared with 5.8 pounds in the United States. They even spread beans on their breakfast toast.

Heinz of Great Britain continues to dominate the $79 million bean market. Beans rank after soup as the company's most important product category, and sales of both lines increased in fiscal 1968.

Sales of the number three product group—baby food—also climbed, as did sales of virtually all other major lines. Advertising encourages mothers to serve baby food for breakfast, dinner and tea, as well as at the midday meal.

The Hot Snack line, introduced in late 1966, expanded to national distribution of eight varieties. Promoted as "ginghammy thingummies" (the British have a unique talent for sloganeering), the canned entrees have moved Heinz into a substantial, growing market and promise to become a major contributor to sales.

In total, Heinz of Great Britain introduced 23 new varieties. The company's seven top product groups currently command 50 to 95 percent of total volume in their respective markets.

The leading product line of the Canadian subsidiary enjoys comparable consumer loyalty. The company captures approximately four of every five dollars spent for baby food in Canada.

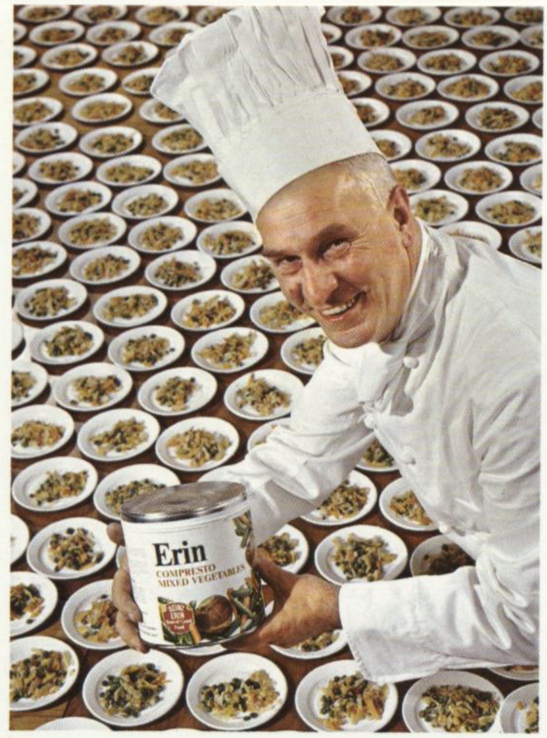
Though industry volume decreased in fiscal 1968 along with the national birth rate, Heinz of Canada showed an improvement in total sales, achieved primarily through gains in sales and market share of ketchup and tomato juice. Heinz now leads its nearest ketchup competitor by a six-to-one margin.

Foreshadowing stepped-up product development efforts and expanding institutional sales, the company introduced a line of four pie fillings and a line of 17 restaurant pack soups.

Product innovations contributed significantly to upward sales in Australia. "Brunch," an instant breakfast food mix, appeared in four varieties and attained a sales volume double original estimates. It promises to match the performance of "Happy-Ade," pre-sweetened soft drink powders introduced three years ago. "Happy-Ade" sales sparked with the addition

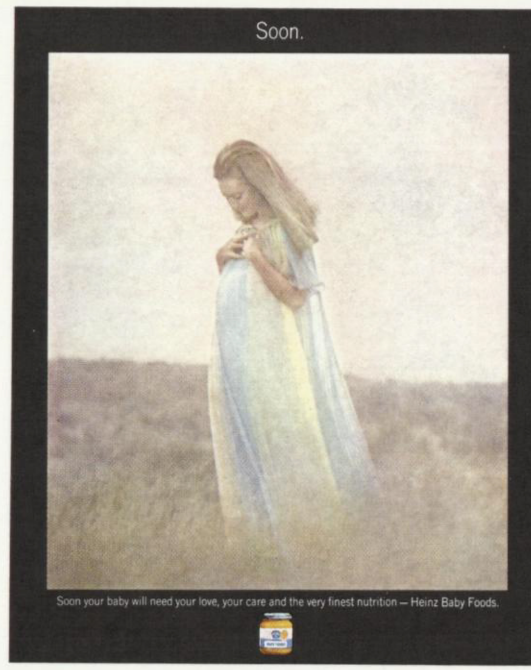
Heinz international advertising and sales promotion activities were tailored to the countries in which they took place. A new electric Plasmon sign is now a familiar landmark in Milan. The British company's "Spoon Poster" won the National Outdoor Advertising Award. Television commercials —this one was filmed in the bushland—helped Australian "Happy-Ade" sales to exceed budgeted goals by 250 percent. A display of the Dutch company's sandwich spreads in a German store testifies to aggressive export marketing. Canadian billboards appeal to the French-speaking portion of the population. Another prize-winning British poster urges consumers to have beans at teatime; the "Beanz Meanz Heinz" slogan is so well entrenched that this simple message is immediately understood without brand identification.

Japanese consumers, the most Westernized in Asia, take readily to supermarket shopping. Nichiro Heinz also market-tested eight varieties of "Kiddy's Food" and introduced ready-to-pop aluminum popcorn containers.


Erin
COMPRESTO
MIXED VEGETABLES


Heinz resuelve el problema
¿Qué darle de comer cuando él empieza a morder?
mayorcitos HEINZ
Pollo y Tallarines
mayorcitos
Con Heinz usted sabe que hace lo mejor para su bebe


"Faccio io!"
Dice: "faccio io" per sentirsi più grande.
Per lui, finché cresce,
biscotti al Plasmon tutti i giorni.
Sì, proprio tutti i giorni, perché un bambino cresce ogni giorno.
E ogni giorno ha bisogno di proteine.
Con i biscotti al Plasmon date al vostro bambino proteine utili alla crescita.
Sono proteine vegetali ed animali, di alto valore biologico, arricchite in più con le proteine nobili del Plasmon puro.
La Società del Plasmon ha una lunga, illustre tradizione nel campo dell'alimentazione infantile.
Ogni mamma lo sa: quando un bambino cresce, Plasmon è un nome che conta.
Da più di 60 anni pensiamo ai bambini italiani.
BISCOTTI AL PLASMON


Soon.
Soon your baby will need your love, your care and the very finest nutrition — Heinz Baby Foods.


Heinz instant BRUNCH
COFFEE FLAVOUR
New!
Heinz instant BRUNCH
makes a glass of milk a meal
COFFEE FLAVOUR
4 ENVELOPES
3½ OZS. NET WEIGHT


HEINZ
SANDWICH SPREAD
NETTO 195 GRAM
57 VARIETIES
HEINZ
SNACK SPREAD
NETTO 195 GRAM
57 VARIETIES
HEINZ
PAPRIKA SPREAD
NETTO 195 GRAM
57 VARIETIES

of two flavors and a complementary line of four "Space-Ade" versions. Sales exceeded budgeted goals by 250 percent in fiscal 1968.

Sales of "Gourmet Dinners" were also impressive in their first year of national distribution. The line, consisting of four canned entrees, comfortably positions Heinz in an $8 million market. In total, the Australian subsidiary introduced more than 15 new varieties during the year, including two additions to its exclusive line of salads.

While newer lines flourished, three of Australia's four leading product groups strengthened their market dominance, spurred in part by a "Balloon Race" based on last year's successful contest in Great Britain. Sales of baby food leveled as the birth rate declined, but at year end economists forecast a new baby boom.

To exploit opportunities in the expanding restaurant service field, a new division was established to handle foodservice sales.

In Italy Societa del Plasmon increased sales significantly, successfully defending its market position against new competition.

Plasmon expanded its line of junior baby foods and accelerated development of new biscuit varieties.

While most Heinz companies allocate the bulk of their advertising budgets to television, magazines remain the principal advertising medium in Italy because of the limited availability of TV commercial time.

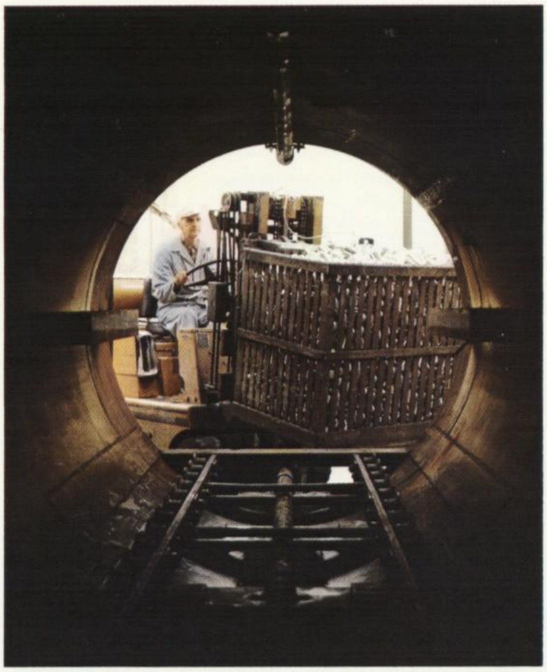
The Dutch company reported over-all volume gains. Sales climbed in sandwich spreads, the company's most successful product group and a Heinz exclusive. The company substantially boosted its leadership position in the ketchup market. Export volume to West Germany, Belgium and France grew. Total soup sales also increased, with introduction of 13 new varieties.

The Portuguese subsidiary, primarily a processor of tomatoes, had a record year, as its harvest of tomatoes substantially exceeded expectations.

Heinz Alimentos of Mexico lost a major source of revenue when adverse weather conditions severely damaged

At Kitt Green, the British company enjoys some of the most advanced quality-control equipment in the world. An electronic sorter inspects every bean brought into the factory and automatically rejects the misfits at lightning speed.

Dutch experts at the Elst headquarters pursue a practice that has become universal in Heinz operations around the world—taste-testing of recipes to meet consumer preferences. Heinz-Erin, a new sales-marketing company formed to market dehydrated vegetables throughout the United Kingdom, advertised a can capable of producing 180 portions for institutional food service customers. Alimentos-Heinz company promoted a new line of foods for Venezuelan *mayorcitos*—"juniors." An Italian youngster prepares to enjoy Plasmon biscuits with the words "Faccio io!"—"I'll do it myself!" Canadian mothers-to-be were presold on Heinz baby foods, which hold about 80 percent of the market in their country. The Australian company introduced "Brunch," an instant breakfast food mix that met with instant acceptance, doubling original sales estimates. The Dutch company added Snack Spread and Paprika Spread to its successful line of sandwich spreads.




the country's tomato crop, causing a subsequent decline in tomato paste exports. The export loss was offset in part, however, by improved sales of products carrying the company's two main brand names, Del Fuerte (juices, fruits, vegetables, sauces) and La Cumbre (chile products).

Revamped marketing efforts sparked the advances. New packaging was adopted for major brand lines. The company backed the brands with significant advertising support on television and radio. The two independent sales staffs that had formerly sold and distributed the various lines were integrated.

Our Mexican company introduced a medium-priced "Mexican-style" ketchup in the Del Fuerte line to improve its competitive position.

The Venezuelan company improved its share of the baby food market, through introduction of a junior line known as "Mayorcitos." Twelve varieties are offered under the new label. The company also added five varieties in three other product lines.

In Japan, Golden Peas, introduced last year, provided the principal impetus to sales growth.

Around the globe Heinz subsidiaries introduced more than 100 new varieties in fiscal 1968 (excluding the United States companies).

Agriculture

new fields—for cultivation and research

Heinz crop research in tomatoes and cucumbers has continued for decades, with excellent results. New growing areas have opened, yields have improved consistently, and mechanical harvesting has accelerated. The company has broadened its efforts in other areas as well.

The British company, for example, has initiated programs to breed new carrot varieties and to improve asparagus production. It also began trials in Turkey, Hungary and East Africa to develop farming of pea beans to meet world demands. (Michigan grows the bulk of the world's supply.)

In Mexico the first planting of a pineapple crop totally under the direction of Heinz agronomists was completed. With the assistance of Hawaiian consultants, the company expects improved quality and yields. In 1967, Heinz Alimentos exported significant pineapple tonnage to Argentina and Chile for the first time.

Finished goods receive a final check after sterilization and prior to labeling at Harlesden factory, London.

A tunnel-shaped retort is used to sterilize finished goods at Leamington, Ontario. Continued success made it necessary for the British company to lease a five-story building in Watford, which will house some 400 employees from the Harlesden factory and Hayes Park headquarters. Dough for the market-leading line of dietetic baby biscuits is mixed in huge machines at the Plasmon factory in Milan. Mechanized tomato harvesting, extensively applied and refined in the United States, spread to Canada in the past growing season.

Meanwhile, new sources of tomato supplies continue to emerge. The British company has begun technical assistance to a company in Turkey established principally to make tomato paste. The project is expected to become the nucleus of a much broader processing industry.

Facilities

expansion to meet growing demands

In Italy, 35 miles south of Rome, ground was broken for the construction of Europe's largest baby food plant. Production, primarily of strained and junior foods, will begin in 1969.

The British company announced its second acquisition, Samor Pure Foods Ltd., Didcot, Berkshire, processors of canned fruits and vegetables. It is continuing Samor operations (production primarily for private label distribution) under the same management.

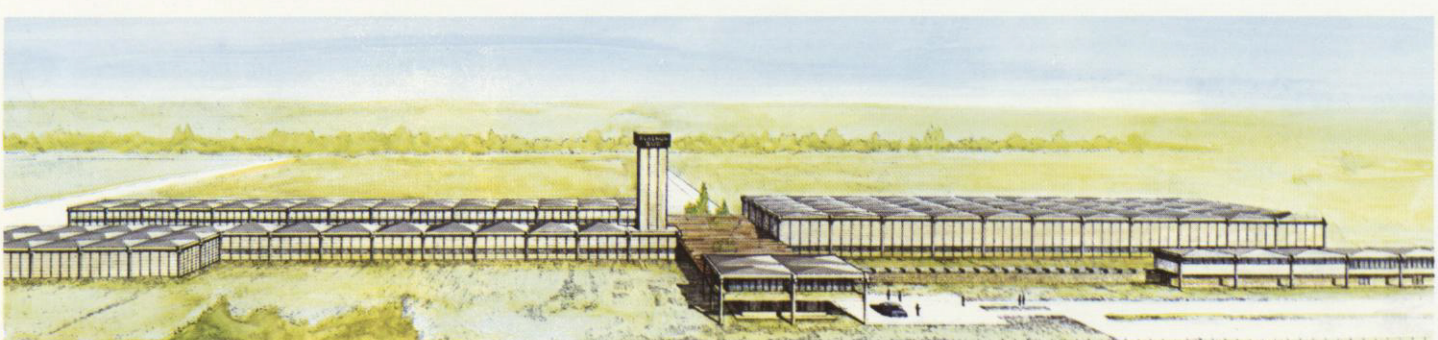
In June, 1968, Heinz-Britain announced an agreement to buy a controlling interest in Moss, Waltham & Co. Ltd., 118-year-old meat packing company. Moss, Waltham, headquartered in London, is the leading specialty processor and wholesaler of quality British-produced meats for the food processing and foodservice industries in the United Kingdom. The company's main plant, opened in 1964 at Wellingborough, is now working at full capacity. A new plant at Shrewsbury, also built to the most modern standards, will open later this year, doubling the company's production line capacity.

Space needs continue to grow in Great Britain. Consequently, the company signed a long-term lease on a five-story office building in Watford to accommodate the transfer of several administrative departments from Hayes Park headquarters and the Harlesden factory.

Heinz companies spent more than $11 million outside the United States in fiscal 1968 to improve and expand facilities.

Interest in international development was demonstrated also in another way. Heinz joined the ADELA Investment Company, a multinational, private investment organization founded in 1965 to stimulate private enterprise in South America through equity investment. ADELA shareholders include more than 140 industrial companies, banks, financial institutions and other business enterprises. The present capitalization of ADELA is approximately $40 million.

An automatic system, which permits push-button control of the flow of finished goods, is part of highly sophisticated materials-handling procedures at Harlesden factory in London. Thanks to carefully planned investments in new equipment, the British company has been able to satisfy sharp rises in production demand over the past seven years without having to increase plant employment.



Baby food production will begin in 1969 at Plasmon's new factory below Rome. The building, which will be the largest of its kind in Europe, is designed for straight-through production, from receipt of raw products to finished goods storage and distribution.

Summary of Changes in Working Capital

H. J. Heinz Company and Consolidated Subsidiaries

	Fiscal year ended May 1, 1968	Fiscal year ended May 3, 1967
Additions:		
Net income	$ 23,363,804	$ 21,530,281
Depreciation	14,817,055	13,645,525
Other charges to operations not requiring working capital	4,006,210	4,461,119
Total from operations	42,187,069	39,636,925
Long-term borrowings	40,851,557	—
	83,038,626	39,636,925
Deductions:		
Additions to plant and equipment	28,883,616	31,887,096
Less Retirements and disposals	5,863,938	2,694,612
	23,019,678	29,192,484
Amortization of long-term debt	7,217,761	4,940,174
Dividends paid	9,230,357	8,373,647
Other items, net	4,369,016	450,514
	43,836,812	42,956,819
Working capital increase (decrease)	$ 39,201,814	$ (3,319,894)

See accompanying notes to financial statements.

Consolidated Balance Sheets

Assets

	May 1, 1968	May 3, 1967
Current assets:		
Cash and short-term investments	$ 17,767,839	$ 16,343,647
Accounts and notes receivable:		
Trade, less allowance for doubtful accounts	63,935,336	55,033,034
Sundry	6,465,928	5,824,723
	70,401,264	60,857,757
Inventories—at cost or market, whichever lower:		
Finished goods	145,970,973	137,793,741
Work in process	10,050,156	9,961,679
Ingredient and packaging materials	56,417,658	55,967,362
	212,438,787	203,722,782
Prepaid insurance, supplies, taxes and sundry	10,782,237	8,354,446
Total current assets	311,390,127	289,278,632
Investments and other assets:		
Investments in and advances to unconsolidated subsidiaries and partnerships (at approximate equity)	1,819,396	2,280,979
Other investments, advances and loans, less allowance for losses	4,496,626	3,531,375
Excess of investments in consolidated subsidiaries over net assets at acquisition	5,480,770	4,838,987
Miscellaneous other assets	3,358,439	3,193,609
	15,155,231	13,844,950
Fixed assets—at cost:		
Land	10,954,786	11,018,561
Buildings and leasehold improvements, less accumulated depreciation of $30,343,808 ($28,004,644 in 1967)	82,165,911	82,496,387
Equipment, boats and fixtures, less accumulated depreciation of $92,362,586 ($83,471,896 in 1967)	110,364,793	102,952,052
Lug boxes, baskets and pallets, less amortization	2,191,453	1,690,237
	205,676,943	198,157,237
	$532,222,301	$501,280,819

See accompanying notes to financial statements.

Liabilities, Capital Stock and Surplus

	May 1, 1968	May 3, 1967
Current liabilities:		
Notes payable and loans on open credit (including portion of long-term debt due within one year)	$ 55,192,336	$ 77,043,734
Accounts payable and accrued expenses	61,146,079	60,626,922
Estimated liability for Federal and foreign income taxes	15,169,399	10,927,477
Total current liabilities	131,507,814	148,598,133
Long-term debt and other liabilities:		
Long-term debt (Note 2)	99,228,036	65,594,240
Liabilities under management profit sharing plan, less portion payable within one year	16,925,959	15,656,605
Future Federal and foreign taxes on income	13,035,750	13,342,552
Sundry	2,040,587	1,635,709
	131,230,332	96,229,106
Reserve for possible foreign exchange losses	483,812	696,019
Minority interests	13,608,160	15,208,726
Capital stock and surplus:		
Cumulative preferred stock—authorized 147,372 shares—par value $100 per share—issuable in series:		
3.65% series—authorized 47,372 shares—outstanding 47,372 shares (Note 3)	4,737,200	4,737,200
Second cumulative preferred stock—authorized 388,696 shares—par value $18.50 per share—issuable in series:		
$3.50 first series—authorized 279,651 shares—outstanding 279,476 shares (285,884 shares in 1967) (Note 3)	5,163,598	5,288,854
$3.50 second series—authorized 107,290 shares—outstanding 98,353 shares (103,009 shares in 1967) (Notes 3 and 4)	1,819,531	1,905,667
Common stock—authorized 8,500,000 shares—par value $8.33⅓ per share—outstanding 5,743,546 shares (5,701,219 shares in 1967) (Notes 3 and 4)	47,862,883	47,510,158
Capital surplus	9,502,347	8,933,779
Earned surplus (Note 2)	186,306,624	172,173,177
	255,392,183	240,548,835
	$532,222,301	$501,280,819

Statements of Consolidated Income

	Fiscal year ended May 1, 1968 (52 Weeks)	Fiscal year ended May 3, 1967 (53 Weeks)
Net sales	$734,365,358	$690,863,071
Cost of products sold	473,005,914	459,886,245
Gross profit	261,359,444	230,976,826
Selling, general and administrative expenses, including management profit-sharing plan of $3,751,437 ($3,364,240 in 1967)	208,392,029	188,227,627
Operating profit, after provision for depreciation of $14,817,055 ($13,645,525 in 1967)	52,967,415	42,749,199
Other income, net	1,518,774	2,407,593
	54,486,189	45,156,792
Interest and amortization of debt discount and expense	9,232,459	8,126,078
	45,253,730	37,030,714
Provision for Federal and foreign taxes on income	18,968,804	14,475,616
	26,284,926	22,555,098
Deduct Income applicable to minority interests	1,011,072	1,024,817
Net income before extraordinary loss	25,273,854	21,530,281
Extraordinary loss—Revaluation of net assets of British subsidiaries (Note 1)	1,910,050	—
Net income	$ 23,363,804	$ 21,530,281
Net income per share of common stock outstanding:		
Before extraordinary loss	$4.14	$3.51
Extraordinary loss	(.33)	—
Net income*	$3.81	$3.51

See accompanying notes to financial statements.

**Assuming the outstanding Second Cumulative Preferred Stock had been converted into common stock at the beginning of each fiscal year, the net income per share would have been reduced from $3.81 to $3.53 for 1968 and from $3.51 to $3.26 for 1967.*

Statements of Consolidated Surplus

H. J. Heinz Company and Consolidated Subsidiaries

	Fiscal year ended May 1, 1968	Fiscal year ended May 3, 1967
Capital Surplus		
Amount at beginning of year	$ 8,933,779	$ 8,889,997
Excess of option price over par value of 18,950 shares (1,900 shares in 1967) of common stock issued under employees' incentive stock option plan (Note 4)	502,278	36,062
Excess of par value over cost of preference stock retired (British subsidiary)	58,057	48,989
Excess of par value of preferred shares over par value of common shares issued in exchange therefor	8,233	—
Additional costs of acquisition of subsidiaries "pooled" in prior years	—	(41,269)
Amount at end of year	9,502,347	8,933,779
Earned Surplus		
Amount at beginning of year	172,173,177	159,016,543
Add Net income	23,363,804	21,530,281
	195,536,981	180,546,824
Deduct Dividends paid:		
On preferred stock:		
3.65% series	172,910	172,911
$3.50 series	1,339,280	1,361,850
	1,512,190	1,534,761
On common stock—$1.35 per share; 1967—$1.20	7,718,167	6,838,886
	9,230,357	8,373,647
Amount at end of year	$186,306,624	$172,173,177

See accompanying notes to financial statements.

Notes to Financial Statements

(1) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and all significant domestic and foreign subsidiaries. Consolidated net assets were in companies located as follows:

	May 1, 1968	May 3, 1967
Western Hemisphere:		
United States and its possessions	$115,014,346	$107,617,385
Other	34,886,484	34,050,919
	149,900,830	141,668,304
Eastern Hemisphere:		
British Commonwealth	82,193,966	79,507,946
Other	23,297,387	19,372,585
	105,491,353	98,880,531
	$255,392,183	$240,548,835

Assets and liabilities of the foreign subsidiaries have been converted at appropriate exchange rates. The realization in U. S. dollars of assets located outside the United States is limited in certain instances by currency and other restrictions. No provision has been made for U. S. or foreign income taxes which may become payable when earnings of foreign subsidiaries are remitted as dividends; in the case of those subsidiaries where it is contemplated that earnings will be remitted, the credit for foreign taxes already paid generally offsets applicable U. S. income taxes. Operating accounts were converted at average rates of exchange prevailing during the fiscal year. The net unrealized loss on foreign exchange has been charged to the reserve for possible foreign exchange losses; the loss from devaluation of British currency has been charged against consolidated income as an extraordinary loss. Of the consolidated net income for the year, $12,557,805 (after application of the loss from revaluation of net assets of British subsidiaries due to devaluation of British currency of $1,910,050) originated from subsidiaries located outside the United States and its possessions and the Company received dividends from such subsidiaries during the year of $7,152,606.

(2) Long-term debt:

Details of long-term debt at May 1, 1968 are as follows:

	Interest per cent	Maturity (fiscal year)	Portion due Non-current	Portion due Current
Company:				
Promissory notes	2.90	1969	$ —	$2,400,000
Promissory notes	4½	1970-74	17,000,000	—
Promissory notes	5¼	1969-84	15,000,000	1,000,000
Promissory notes	6⅝	1979-93	40,000,000	—
Sundry obligations	6 to 7¾	1969-71	199,847	51,710
			72,199,847	3,451,710
Subsidiaries:				
Promissory notes:				
(Australia)	4¼	1969-76	6,536,150	237,942
(Canada)	4½	1970-74	3,000,000	—
(Japan)	5	1971	600,000	—
(Mexico)	4½	1969-72	1,600,000	640,000
(Mexico)	6	1969-76	3,855,000	145,000
(Venezuela)	9	1969-72	911,403	367,400
Debentures (England)	6	1969-84	4,404,818	83,506
Debentures (England)	5½	1969-85	4,455,019	34,956
Installment note (domestic)	4½	1969	—	343,750
Mortgages and contracts (domestic)	4 to 6½	1969-86	5,520,799	577,025
Sundry foreign obligations			—	13,328
			103,083,036	5,894,617
Less—Certificate of Deposit (5¾%) representing equivalent cash deposited by a subsidiary as security against the 6% promissory note (Mexico)			3,855,000	145,000
			$ 99,228,036	$5,749,617

Among other restrictions, the agreements relating to the promissory notes of the Company (other than the 2.90% notes) contain provisions against the payment of dividends by the Company upon its common stock (otherwise than in its common stock) if such dividends, together with purchases, payments into the sinking fund and dividends on its presently authorized cumulative preferred stock and amounts expended by the Company or any subsidiary for purchase, redemption, retirement or other acquisition of any class of the Company's stock, since May 3, 1967, would exceed the total of the net proceeds to the Company for issues of shares of stock, plus $18,000,000, plus the consolidated net income since May 3, 1967. At May 1, 1968, earned surplus of $32,440,000 was not thereby restricted. The 2.90% notes also contain various conditions which are less restrictive than the foregoing provisions.

(3) Capital stock:

The 3.65% series cumulative preferred stock is callable or redeemable through the sinking fund at $102.75 per share. A payment, not exceeding $200,000, is required to be made to the sinking fund on or before October 1 of each year.

The $3.50 first series second cumulative preferred stock is convertible into common stock at any time prior to June 1, 1973 at an initial conversion rate of 100/45 shares of common

stock and may be redeemed by the Company from June 1, 1968 to and including May 31, 1969 at $102.50 per share and at decreasing prices thereafter. On or before August 1, 1973, and on or before each August 1 thereafter, so long as any shares of this series are outstanding, the Company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise, shares of this series equal to 2% of the total number of shares outstanding at the close of business on June 1, 1973. Cumulative arrearages as to such retirements are permissible in the event that consolidated net income, less certain deductions, is less than the amount necessary to pay in full all requirements to retire shares of all series of the second preferred stock.

The $3.50 second series cumulative preferred stock is convertible into common stock at any time prior to February 1, 1976 at an initial conversion rate of two shares of common stock and may be redeemed by the Company from February 1, 1971 to and including January 31, 1972 at $102.50 per share and at decreasing prices thereafter. On or before April 1, 1976 and on or before each April 1 thereafter, so long as any shares of this series are outstanding, the Company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise, shares of this series equal to 2% of the total number of shares outstanding at the close of business on February 1, 1976. Cumulative arrearages as to such retirements are permissible to the same extent as that enumerated above regarding the $3.50 first series second cumulative preferred stock.

Upon involuntary liquidation, the holders of first and second series of the $3.50 second cumulative preferred stock are entitled to be paid in cash, subject to the prior rights of the holders of the 3.65% preferred stock, $100.00 per share ($37,782,900 based on shares outstanding at May 1, 1968).

At May 1, 1968, there were authorized, but unissued, 250,000 shares of third cumulative preferred stock of the par value of $100.00 per share.

At May 1, 1968, 1,094,661 shares of common stock were reserved for conversion of second cumulative preferred stock outstanding or issuable under a warrant and for outstanding options or for the granting of options under the employees' stock option plans. Also, 8,937 shares of $3.50 second series second cumulative preferred stock were reserved for issuance under a stock purchase warrant.

(4) Employees' stock option plans and stock purchase warrant:

The qualified employees' incentive stock option plan, adopted in 1965, permits the granting of options on shares of common stock of the Company at not less than the fair market value at the time the options are granted. The options are exercisable at any time within five years from the date of grant but no later than July 9, 1975, the expiration date of the plan. During the fiscal year, options to purchase 15,000 shares were granted and no options were exercised. At May 1, 1968, options to purchase 25,500 shares at prices ranging from $33.75 to $46.50 per share were outstanding under this plan and 74,500 shares were reserved for the granting of additional options.

The original employees' incentive stock option plan, adopted in 1960 and amended in 1964, permits the granting of options on shares of common stock of the Company at not less than fair market value. With certain exceptions, the options are exercisable at any time prior to March 11, 1970, the expiration date of the plan. During the fiscal year, no options were granted, options for 4,700 shares were cancelled, and options for 18,950 shares were exercised at prices ranging from $27.31⅓ to $44.00 per share. At May 1, 1968, options to purchase 92,550 shares at prices ranging from $27.31⅓ to $50.60 per share were outstanding under this plan and 33,700 shares were reserved for the granting of additional options.

A stock purchase warrant, assumed by the Company in the acquisition of a subsidiary, provides for the acquisition by the warrant holder of 32,773 shares of common stock and 8,937 shares of $3.50 second series second cumulative preferred stock of the Company at an aggregate purchase price of $1,260,905 and is exercisable until October 15, 1970.

(5) Retirement systems:

The Company and its subsidiaries have several pension plans covering substantially all their employees, including certain employees in foreign countries. The total pension expense for the fiscal year was $2,774,454, which includes, as to certain plans, amortization of prior service costs over varying periods not exceeding twenty years. It is the policy of the Company and its subsidiaries to fund pension costs as accrued.

(6) Other matters:

Certain claims filed against the Company and certain of its subsidiaries have not been finally adjudicated. In the opinion of management, such claims, when finally determined, will have no material adverse effect on the consolidated financial statements.

Accountants' Report

The Shareholders, H. J. Heinz Company:

We have examined the consolidated balance sheet of H. J. Heinz Company and consolidated subsidiaries as of May 1, 1968 and the related statements of income and surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of certain subsidiaries, which are included in the consolidated statements, were examined by other independent public accountants whose reports have been furnished to us. Net assets and net sales of such subsidiaries constitute approximately 34% and 28%, respectively, of the related consolidated figures.

In our opinion, based on our examination and the aforementioned reports of other independent public accountants, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of H. J. Heinz Company and consolidated subsidiaries at May 1, 1968 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying summary of changes in working capital presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

Pittsburgh, Pa.
June 20, 1968

10-Year Financial Summary

In Thousands of Dollars Except Per Share Data

Fiscal Years	1968	1967	1966(1)	1965(1)	1964
Net Sales	$734,365	$690,863	$620,263	$556,267	$488,211
Income Before Taxes	45,254	37,031	35,393	34,711	28,751
Taxes on Income	18,969	14,476	13,998	14,370	13,137
Income from Operations	25,274	21,530	20,304	19,219	14,549
Extraordinary Loss	1,910	—	—	—	—
Net Income (After Extraordinary Loss)	23,364	21,530	20,304	19,219	14,549
Dividends Paid:					
Preferred	1,512	1,535	1,362	1,229	1,158
Common	7,718	6,839	7,062(2)	6,073(3)	5,276
Retained Earnings	14,134	13,156	11,880	11,917	8,115
Capital Expenditures	28,884	31,887	25,549	25,461	20,509
Depreciation	14,817	13,646	12,947	10,521	9,179
Net Plant and Equipment	205,677	198,157	181,738	172,639	145,552
Working Capital	179,882	140,680	144,000	144,790	137,564
Long Term Debt	99,228	65,594	70,534	75,194	68,073
Shareholders' Equity	255,392	240,549	227,333	216,441	193,687
Per Share Common Stock:					
Income from Operations	4.14	3.51	3.29	3.10	2.53
Income (After Extraordinary Loss) (6)	3.81	3.51	3.29	3.10	2.53
Dividends	1.35	1.20	1.20	1.00	1.00
Retained Earnings	2.46	2.31	2.09	2.10	1.53
Book Value (4) (5)	37.06	34.54	32.23	30.12	30.03
Common Shares Outstanding (4)	5,743,546	5,701,219	5,698,869	5,692,110	5,286,296
Number of Common Shareholders	9,813	10,767	10,658	8,156	6,983
Price of Common Shares (4)					
High	50¾	41⅛	49⅜	54½	50⅝
Low	34⅛	27¾	38⅝	36⅛	36¼

(1) 1965 and 1966 figures include, on pooling of interest basis, Ore-Ida Foods, Inc., acquired in October, 1965.

(2) Includes $454,526 paid to former owners of Ore-Ida Foods, Inc.

(3) Includes $623,467 stock and $147,639 cash paid to former owners of Ore-Ida Foods, Inc.

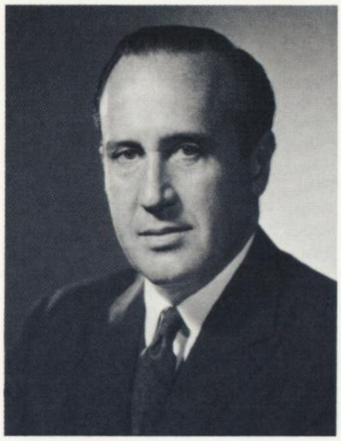
(4) Adjustments have been made for 1960 and prior years to give effect to the 3-for-1 stock split of February, 1961.

(5) After deducting $100 per share for second cumulative preferred stock outstanding, representing the involuntary liquidation price.

(6) Pro forma earnings per share, assuming 100 percent conversion of second cumulative preferred stock: fiscal 1968—$3.53; fiscal 1967—$3.26; fiscal 1966—$3.07; fiscal 1965—$2.73; fiscal 1964—$2.30.

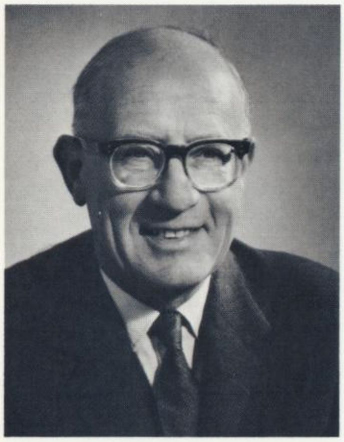
1963	1962	1961	1960	1959
$464,215	$375,810	$365,990	$340,224	$316,857
25,701	32,644	29,092	26,261	21,967
12,551	17,645	14,684	13,210	10,140
12,364	14,166	13,615	12,288	11,011
—	—	—	—	—
12,364	14,166	13,615	12,288	11,011
237	238	255	270	274
5,256	5,209	4,405	3,716	3,716
6,871	8,719	8,955	8,302	7,021
16,135	12,850	13,524	8,296	16,236
7,925	6,574	6,276	5,810	4,608
130,826	118,124	111,727	106,138	104,629
130,590	119,713	114,007	105,528	85,721
51,597	49,285	51,252	47,392	35,987
184,876	158,996	145,789	136,259	128,162
2.31	2.65	2.62	2.37	2.12
2.31	2.65	2.62	2.37	2.12
1.00	1.00	.86⅔	.73⅓	.73⅓
1.31	1.65	1.75⅓	1.63⅔	1.38⅔
28.48	29.04	27.27	25.46	23.81
5,258,130	5,251,130	5,098,580	5,066,691	5,066,691
6,406	6,401	5,881	4,827	4,812
53⅞	72¾	71¼	30⅔	24
34	52¼	26	22⅛	16⅝

World Headquarters Officers


Henry J. Heinz II


R. Burt Gookin

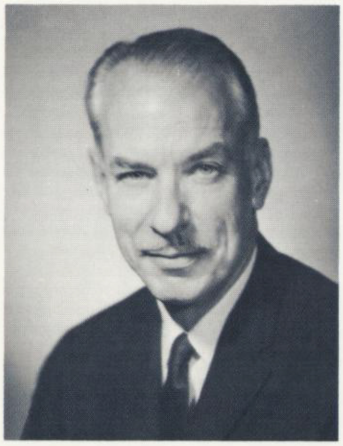

Junius F. Allen

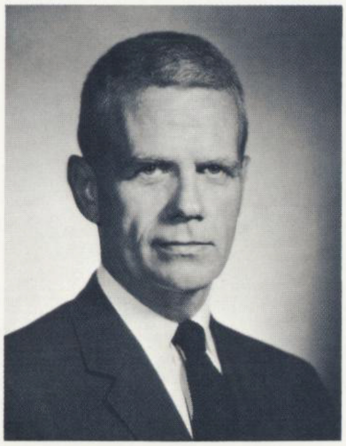

Frederick G. Crabb


John E. Crossen


William D. Mewhort


Frank M. Brettholle


Ralph W. Hunter


Donald C McVay

Board of Directors

Henry J. Heinz II
Chairman

R. Burt Gookin
President
and Chief Executive Officer

Junius F. Allen
Executive Vice President-North America

Joseph J. Bogdanovich
President, Star-Kist Foods, Inc.

Frederick G. Crabb
Senior Vice President-Europe and
Vice Chairman, H. J. Heinz Company Ltd.

Norman E. Daniels
Executive Vice President-United States

F. Nephi Grigg
Consultant, Ore-Ida Foods, Inc.

Vira I. Heinz
Civic Leader and Trustee
Howard Heinz Endowment

Ralph W. Hunter
Secretary

Lewis A. Lapham
Vice Chairman of the Board
Bankers Trust Company
New York, New York

John A. Mayer
Chairman of the Board
Mellon National Bank and Trust Company
Pittsburgh, Pennsylvania

William D. Mewhort
Executive Vice President-Finance
and Treasurer

John T. Ryan, Jr.
Chairman of the Board
Mine Safety Appliances Co.
Pittsburgh, Pennsylvania

William P. Snyder III
President, The Shenango Furnace Company
Pittsburgh, Pennsylvania

Officers

Henry J. Heinz II*
Chairman of the Board

R. Burt Gookin*
President and Chief Executive Officer

Junius F. Allen*
Executive Vice President-North America

William D. Mewhort*
Executive Vice President-Finance and Treasurer

Frank M. Brettholle
Senior Vice President and Controller

Frederick G. Crabb
Senior Vice President-Europe and Vice Chairman, H. J. Heinz Company Ltd.

John E. Crossen
Senior Vice President-Latin America and the Pacific

Donald C McVay
Senior Vice President-Corporate Development

Ralph W. Hunter
Secretary

*Member of Executive Committee

Registrars

Morgan Guaranty Trust Company of New York, New York, N.Y.

Pittsburgh National Bank
Pittsburgh, Pa.

Transfer Agents

First National City Bank, New York, N.Y.

Mellon National Bank and Trust Company
Pittsburgh, Pa.

Dividend Disbursing Agent

Mellon National Bank and Trust Company
Pittsburgh, Pa.

Stock Listing

New York Stock Exchange

Ticker Symbol HNZ

Locations & Products

World Headquarters

P. O. Box 57
Pittsburgh, Pa. 15230

United States

H. J. Heinz Company
Pittsburgh, Pa.
Founded 1869
Norman E. Daniels
Executive Vice President-United States

Products:
Ketchup, mustard, sauces and other condiments; baby foods; canned soups; pickles and relishes; vinegar; canned beans; canned and freeze-dry entrees; juices and beverages; canned spaghetti and macaroni.

Factories:
Salem, N.J.
Chambersburg, Pa.
Medina, N.Y.
Pittsburgh, Pa.
Winchester, Va.
Fremont, Ohio
Bowling Green, Ohio
Holland, Mich.
Lakeview, Mich.
Muscatine, Iowa
Tracy, Calif.
Stockton, Calif.

Star-Kist Foods, Inc.
Terminal Island, Calif.
Wholly-owned subsidiary; acquired in 1963.
Joseph J. Bogdanovich
President

Products:
Canned tuna; frozen tuna pies and casseroles; cat food (under the brand name 9-Lives); canned sardines, mackerel and bonita; fish meal, fish oils and solubles.

Factories:
Terminal Island, Calif.
Ilo, Peru
Coishco, Peru
Pago Pago, American Samoa
Mayaguez, Puerto Rico

Cold Storage Stations:
Senegal
Ghana
Liberia
Republic of the Congo

Hachmeister
McKees Rocks, Pa.
Division of Star-Kist Foods, Inc.; acquired in 1961.
Harvey L. Dunker
President

Products:
Commercial baking aids; adhesives, polishes, cleaners and other products for tile.

Factory:
McKees Rocks, Pa.

Ore-Ida Foods, Inc.
Boise, Idaho
Wholly-owned subsidiary; acquired in 1965.
Robert K. Pedersen
President

Products:
Frozen potato products; instant potatoes; frozen vegetable products; fresh potatoes and onions.

Factories:
Ontario, Ore.
Burley, Idaho
Greenville, Mich.

Great Britain

H. J. Heinz Company Ltd.
Hayes Park, Middlesex
91.16% owned by Heinz; established in 1905.
Anthony Beresford
Managing Director

Products:
Canned soups; canned beans; baby foods; canned spaghetti and macaroni; ketchup, sauces and sandwich spreads; canned puddings; canned entrees; canned vegetable salads; pickles and olives; vinegar; juices.

Factories:
Harlesden
Kitt Green
Standish

Heinz International Sales Ltd.
London, England
John U. Lamont
Managing Director

J. G. Read Ltd.
Halnaker, Chichester
Wholly-owned subsidiary; acquired by H. J. Heinz Co. Ltd. in 1966.
John G. Read
Managing Director

Product:
Poultry.

Factory:
Halnaker, Chichester

Samor Pure Foods Ltd.
Didcot, Berks
Wholly-owned subsidiary; acquired by H. J. Heinz Co. Ltd. in 1967.
James A. Wilen
Operating Director

Products:
Canned fruits and vegetables.

Factory:
Didcot, Berks

Heinz-Erin Ltd.
Dublin, Ireland
50% owned by Heinz; established in 1967 to market products of Erin Foods Ltd. (dehydrated vegetables and soup mixes) in the United Kingdom.
Anthony Beresford
A. J. F. O'Reilly
Managing Directors

Canada

H. J. Heinz Company of Canada Ltd.
Leamington, Ontario
Wholly-owned subsidiary of Heinz; established in 1909.
John A. Connell
President

Products:
Baby foods; ketchup, mustard, sauces and other condiments; tomato juice; macaroni; pickles and relishes; canned beans; vinegar; canned entrees.

Factory:
Leamington, Ontario

Australia

H. J. Heinz Company of Australia Ltd.
Dandenong, Victoria
Wholly-owned subsidiary of Heinz; established in 1935.
Fred V. Kellow
Managing Director

Products:
Baby foods; canned soups; ketchup; canned beans; canned entrees; canned spaghetti and macaroni; soft drink powders; canned salads; sauces; instant breakfast mix.

Factory:
Dandenong, Victoria

The Netherlands

H. J. Heinz N.V.
Elst, Gelderland
Wholly-owned subsidiary of Heinz; acquired in 1958.
Arnold A. Reuvekamp
Managing Director

Products:
Teo brand jams and canned fruits; ketchup, sauces and sandwich spreads; canned soups; baby foods; canned beans; canned spaghetti and macaroni; canned vegetable salads.

Factory:
Elst, Gelderland

Portugal

Industrias de Alimentaceo, Limitada
Vila Franca de Xira
70% owned by H. J. Heinz N.V.; acquired in 1964.
Jorge Giralt
General Manager

Printed in U.S.A.

Products:
Tomato paste; ketchup; canned vegetables; pickles; olives and peppers.
Factories:
Vila Franca de Xira
Benavente

Venezuela

ALIMENTOS HEINZ C.A.
Valencia, Carabobo
99.4% owned by Heinz; established in 1959.
George O. Myers
President
Products:
Baby foods; ketchup; sauces; mayonnaise; canned vegetable salads; canned soups; vinegar; pickles.
Factory:
San Joaquin, Carabobo

Japan

NICHIRO HEINZ COMPANY LTD.
Tokyo
80% owned by Heinz; established in 1961.
Albert F. Margus
President
Products:
Canned soups; canned peas; baby foods; canned spaghetti; ketchup; popcorn.
Factory:
Kurihama

Italy

SOCIETA DEL PLASMON S.P.A.
Milan
Wholly-owned subsidiary of Heinz; acquired in 1963.
Oscar A. Pio
Managing Director
Products:
Dietetic baby foods (strained, junior, biscuits, rusks, creams and semolinas, pastinas); olive oil.
Factories:
Milan
Latina (under construction)

Mexico

HEINZ ALIMENTOS S.A. DE C.V.
Mexico City
80% owned by Heinz; acquired in 1963.
Gerald K. Warner
President
Products:
Canned chiles and peppers; tomato paste; canned juices and nectars; canned pineapple; canned fruits and vegetables; ketchup and sauces; vinegar.
Factories:
Villa R. Lara, Grajales, Puebla
Salamanca, Guanajuato
Los Robles, Veracruz
Loma Bonita, Oaxaca
Los Mochis, Sinaloa

Heinz Today

. . . Manufactures, packages and sells a wide range of food products—more than 1250 in 150 nations and territories.

. . . Ranks as the world's largest maker of ketchup and second largest maker of canned soups and baby foods. Other Heinz-U.S.A. products include: mustard, sauces and other condiments; pickles and relishes; vinegar; beans; canned and freeze dry entrees; juices and beverages.

. . . Owns two domestic subsidiaries: Star-Kist Foods, a leading domestic tuna packer and pet food producer, and Ore-Ida Foods, a leading processor of frozen potato products.

. . . Owns, wholly or in part, foreign subsidiaries in nine countries: Australia, Canada, Great Britain, Italy, Japan, Mexico, The Netherlands, Portugal and Venezuela. In addition, Star-Kist operates factories in Puerto Rico, American Samoa, and Peru.

. . . Operates (including domestic and foreign subsidiaries) 19 plants in the U.S.A. and possessions and 21 plants in foreign nations employing up to 28,000 persons during peak periods.

H. J. Heinz Company Annual Report 1968